



**BARRY COUNTY HEALTH DEPARTMENT**

**From The Office Of State Auditor  
Claire McCaskill**

**Report No. 2003-04  
January 15, 2003  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)**

**AUDIT REPORT**



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

January 2003

**The following problems were discovered as a result of an audit conducted by our office of the Health Department of Barry County, Missouri.**

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- The Health Department did not solicit or advertise for bids as required by state law. Approximately \$90,000 and \$53,000 was spent for labor and materials to remodel the Cassville and Monett facilities, respectively, without soliciting bids. In addition, the Health Department did not practice compliance with statutory bidding requirements for other purchases unrelated to the remodeling projects.

Invoices submitted by the independent contractors performing the remodeling were inadequate, providing no detail of time worked, jobs performed, or labor costs incurred. Given the lack of detail noted on the invoices, reasonableness and propriety of the amounts claimed by the contractors cannot be ensured.

The Board did not request or obtain an independent appraisal prior to purchasing the land and building in Monett. In addition, Board minutes did not document actions taken to ensure the amount paid was reasonable.

- The Health Department Administrator did not document miles driven to support \$250 received monthly for mileage.

The Health Department also pays one-half (approximately \$55) of the Administrator's personal cellular phone bill each month. There is no documentation to support why one-half of the total bill was determined to cover any business related calls.

- While renovating the Health Department facilities, numerous assets were disposed of; however documentation was not maintained to ensure these assets were disposed of properly.

The audit also includes some matters related to budgetary and payroll practices, receipt and disbursement procedures, Board minutes, and written agreements.

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YELLOW SHEET

BARRY COUNTY HEALTH DEPARTMENT

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## STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Health Department Board of Trustees  
Barry County, Missouri

We have audited the Health Department of Barry County, Missouri. The scope of this audit included, but was not necessarily limited to, the period January 1, 2001, through August 31, 2002. The objectives of this audit were to:

1. Review compliance with certain legal provisions.
2. Review certain management practices.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents and interviewed various personnel of the health department.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the health department's management and was not subjected to the procedures applied in the audit of the health department.

The accompanying Management Advisory Report presents our findings arising from our audit of the Health Department of Barry County, Missouri.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill  
State Auditor

October 24, 2002 (fieldwork completion date)

The following auditors participated in the preparation of this report:

|                     |                       |
|---------------------|-----------------------|
| Director of Audits: | Thomas J. Kremer, CPA |
| Audit Manager:      | Donna Christian, CPA  |
| Audit Staff:        | Rachel A. Simons      |

MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

BARRY COUNTY HEALTH DEPARTMENT  
MANAGEMENT ADVISORY REPORT –  
STATE AUDITOR’S FINDINGS

|           |                     |
|-----------|---------------------|
| <b>1.</b> | <b>Expenditures</b> |
|-----------|---------------------|

A. Since May 2001, the Health Department has spent approximately \$90,000 to remodel the Cassville facility and \$138,000 to purchase (\$85,000) and remodel (\$53,000) the satellite facility in Monett. We noted the following concerns related to these expenditures:

1. Bids were not solicited or advertised by the Health Department for materials or labor for the building remodeling projects. In addition, the Health Department did not regularly comply with statutory bidding requirements for other expenditures unrelated to the remodeling projects. Examples of items and services purchased for which bids were not solicited are as follows:

| Items Purchased            | Cost      |        |        |
|----------------------------|-----------|--------|--------|
|                            | Cassville | Monett | Total  |
| Contract Labor             | \$47,229  | 12,611 | 59,840 |
| Lumber & Building Supplies | 23,027    | 11,421 | 34,448 |
| Heating and Cooling        | 7,797     | N/A    | 7,797  |
| Flooring (carpet and tile) | 4,253     | 5,998  | 10,251 |
| Filing system              | 6,298     | N/A    | 6,298  |
| Asphalt                    | N/A       | 9,446  | 9,446  |

In addition to the above amounts, we noted numerous instances of other disbursements related to the remodeling projects where competitive bidding should have been considered.

Section 50.660, RSMo 2000, requires the advertisement for bids for any purchases of \$4,500 or more, from any one person, firm, or corporation during any period of ninety days. Bidding procedures for major purchases provide a framework for the economical management of Health Department resources and help assure the Board of Trustees that it receives fair value by contracting with the lowest and best bidder. Competitive bidding ensures all interested parties are given an equal opportunity to participate in Health Department business.

Documentation of bids should always be retained as evidence of the Board’s established purchasing procedures, as well as compliance with statutory requirements. Documentation of bids should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request for proposal, a newspaper publication notice, a copy of all bids



received, a summary of the basis and justification for awarding the bid, and documentation of all discussions with vendors.

2. The invoices submitted to the Health Department by the independent contractors performing the labor related to the remodeling were inadequate, providing no detail of time worked, jobs performed, or labor costs incurred.

Adequate supporting documentation is necessary to substantiate the validity and propriety of the amounts claimed by the independent contractors. Given the lack of detail noted on the invoices, reasonableness and propriety of the amounts claimed by the contractors cannot be ensured.

3. The Board did not request or obtain an independent appraisal prior to purchasing the land and building in Monett. The County Assessor's appraised value of the property was \$67,300. In addition, board minutes did not adequately document the actions taken by the board to obtain the property and to ensure the amount paid was reasonable. Included in the board minutes was only an authorization for the Board Chairman to enter into negotiations to acquire the building in Monett; however, the subsequent approval to purchase the building was not documented.

Good business practice requires that major real estate purchases be formally and independently appraised to ensure a reasonable price is paid. In addition, because the decision making process was not adequately documented, it is unclear what steps were taken by the Board to negotiate the purchase price.

- B. The Health Department expended monies for items that do not appear to be a prudent use of public funds.

1. The Health Department held a "Hamburger Fry" in May 2002 and September 2001 for employees, board members and invited guests. According to the Administrator, the May 2002 event was an open house for invited guests to tour the recently renovated Health Department, and the September 2001 event was for "community outreach". An advertisement was placed in the newspaper indicating that the facilities would be closed and no services would be available on that day. Approximately \$1,200 was spent for these two events for food and drinks, and at least \$2,600 was incurred for staff time charged to administration during these two events.

The Health Department also purchased 22 t-shirts totaling \$326 for employees, board members, and one board member's spouse. These shirts were purchased to wear at the "Hamburger Fry" in May 2002.

2. In December 2001, \$1,166 was spent on 30 hams given as Christmas gifts to employees, board members, a local doctor, and five contractors working on remodeling the facility.

It is questionable whether these expenditures are a prudent use of public funds. The Health Department should ensure funds are spent only on items which are necessary and beneficial to county residents.

- C. The Board of Trustees does not document approval of invoices for payment. While board minutes occasionally document the approval of specific payments, board approval is generally not documented. Expenditures made from Health Department funds should be reviewed and approved by the Board before payment is made to ensure all disbursements represent valid operating costs of the Health Department. To adequately document the Board's review and approval of all disbursements, a complete and detailed listing of bills should be prepared and signed or initialed by the Board to denote their approval, and retained with the official minutes.

**WE RECOMMEND** the Health Department Board of Trustees:

- A.1. Solicit bids for all purchases in accordance with state law and maintain documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official board minutes should reflect the necessitating circumstances.
2. Ensure adequate supporting documentation is submitted to substantiate amounts claimed by the independent contractors.
3. Obtain independent appraisals for any property being considered for purchase, and ensure decisions and discussions by the board are adequately documented in the minutes.
- B. Ensure all expenditures of Health Department monies are a necessary and prudent use of public funds.
- C. Review and approve all expenditures of Health Department funds. In addition, the approval of disbursements should be adequately documented by including a listing of all approved disbursements in the board minutes.

### **AUDITEE'S RESPONSE**

*The Barry County Health Department Board of Trustees provided the following responses:*

- A. *We will comply with Missouri laws on items 1, 2, and 3, effective immediately.*
- B. *The Board will review policies and act appropriately, effective immediately.*

C. *Expenditures will be reviewed at each board meeting, effective immediately.*

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| <b>2. Personnel and Payroll Procedures</b> |
|--|

A. Expense reimbursements paid to the Health Department Administrator are not adequately documented as follows:

1. The Health Department paid the Administrator approximately \$3,885 for mileage during the period of September 1, 2001 through August 31, 2002. This amount consisted of \$250 monthly for mileage incurred within Barry County and an additional 28 cents per mile for mileage incurred when traveling outside the county for training and meetings. Actual miles driven within the county are not documented by the Health Department Administrator to support the \$250 monthly payment, nor is the reimbursement reported on W-2 forms. Based upon the Health Department's established mileage rate of 28 cents, the Administrator is reimbursed for driving approximately 890 miles monthly within Barry County. Since documentation of actual miles driven within the county is not maintained, it is not clear if 890 miles per month is reasonable.
2. The Health Department pays one-half (approximately \$55) of the Administrator's personal cellular phone bill each month. There is no documentation to support why one-half of the total bill was determined to cover any business related calls. A detailed invoice listing all business related calls is not submitted to support the reimbursement, nor is the reimbursement reported on W-2 forms.

The Board should require documentation to support payments for vehicle expenses such as monthly reports of mileage indicating the number of miles traveled by date, the nature of the business, and locations traveled. In addition, the Board should determine the amount of actual business related cellular phone expenses to be reimbursed to the Administrator.

IRS Regulation Sections 1.62-2(h) and 31.3401(a)-4 specifically require employee business expenses not accounted for to the employer to be considered gross income and payroll taxes to be withheld from the undocumented payments. Procedures have not been established to ensure that IRS regulations are followed. As a result, the Health Department may be subject to penalties and/or fines for failure to report all taxable benefits.

B. A review of employee time sheets and leave records identified the following:

1. The Administrator does not prepare a time sheet, or submit a leave record for vacation or sick leave taken. Leave activity is reflected on the stub of the Administrator's payroll check; however, there is no record maintained

to verify the accuracy of this information. Upon inquiry the Administrator indicated that he was away on leave from the Health Department for a few days during the summer months of 2002, but the Health Department Board authorized the short leave of absence and this time was not deducted from his vacation leave balance. The Health Department board minutes do not document the board's approval of this matter.

Time sheets and leave records are necessary to document hours actually worked, substantiate payroll expenditures, and provide the Board with a method to monitor hours worked and leave taken. In addition, Health Department Board minutes should adequately document any variation from the Health Department's personnel policy.

2. Employee time sheets are not approved and signed by a supervisor. In addition, compensatory time earned and taken by employees is not adequately tracked and documented. Employees track their own compensatory time earned and taken on their time sheets; however, no official record is maintained. Further, since time sheets are not approved by a supervisor, compensatory time earned and taken is not approved either. Without centralized compensatory records, the Board cannot ensure that employee's compensatory balances are accurate and that all employees are treated equitably.

The Fair Labor Standards Act (FLSA) requires employers to keep accurate records of actual time worked by employees, including compensatory time earned, taken, or paid. The time records should be prepared by the employee, approved by the applicable supervisor, and filed in a central location with the Health Department's payroll records.

**WE RECOMMEND** the Health Department Board of Trustees:

- A. Obtain documentation to support payments for expense reimbursements and report undocumented payments on W-2 forms. Amended W-2 forms should be prepared for undocumented expense payments made in prior years.
- B.1. Require the Administrator to submit time sheets and document leave activity. Any variation from Health Department personnel policies should be adequately documented in the board minutes.
2. Ensure employee time sheets are approved by the applicable supervisor and filed in a central location with the Health Department's payroll records. In addition, compensatory leave records should be maintained for all employees.

## **AUDITEE'S RESPONSE**

*The Barry County Health Department Board of Trustees provided the following responses:*

- A.1. Mileage paid to the Administrator will be documented.*
- 2. Upon review of telephone expenditures, the current reimbursement to the Administrator is the most feasible for the Health Department.*
- B.1. Time sheets, annual leave, and sick leave will be tracked appropriately by the Board, effective January 01, 2003.*
- 2. Employee time sheets, compensatory time earned and taken, will be tracked accurately, effective January 01, 2003.*

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| <b>3. Budgetary and Accounting Procedures</b> |
|---|

- A. The Health Department has been carrying the wrong cash balance forward on the Health Department's budgets for many years. The cash reconciliation section of the budget provides a summary of beginning cash, receipts, disbursements, and ending cash balances for the prior year. The Board of Trustees does not ensure that the beginning and ending cash balances reported in the budget agree with accounting records. This has resulted in the available resources for the years ended December 31, 2001 and 2000 being understated by \$11,681 and \$6,209, respectively.

For the budget documents to be of maximum assistance to the health department and to adequately inform county residents of the health department's operations and current financial position, the budget documents should be accurate.

- B. Accounting duties are not adequately segregated. One individual is responsible for receiving, depositing and disbursing monies, preparing bank reconciliations and maintaining the accounting records. There is no documentation that an independent review of deposits and accounting records is performed.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating duties of depositing receipts from reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, a periodic supervisory review of the records should be performed and documented.

- C. The Health Department accepts cash and checks for fees for services. These fees are kept in a cash box at the front desk, and collected, counted, and receipted in total at the end of each day by the Health Department's bookkeeper. A summary sheet of services provided is filled out for each client which includes the client's

name, service provided, date, amount paid, and method of payment. This summary sheet serves as a receipt; however the summary sheets are not prenumbered to ensure all sheets are accounted for properly.

To ensure all monies are properly accounted for and transmitted intact, client summary sheets should be prenumbered, or separate prenumbered receipt slips should be issued to each client for fees received.

**WE RECOMMEND** the Health Department Board of Trustees:

- A. Ensure the budget document contains accurate financial information.
- B. Adequately segregate accounting duties or ensure periodic supervisory reviews are performed and documented.
- C. Ensure client summary sheets are prenumbered, or issue separate prenumbered receipt slips to each client for fees received.

**AUDITEE'S RESPONSE**

*The Barry County Health Department Board of Trustees provided the following responses:*

- A. The Board will ensure the budget document contains accurate financial information.*
- B. Cross checking and reviews will be implemented immediately. Proper accounting procedures will be implemented.*
- C. Prenumbered fee sheets will be in place by June 1, 2003.*

|                         |
|-------------------------|
| <b>4. Board Minutes</b> |
|-------------------------|

The Health Department Board of Trustees did not document how a discussion concerning the hours of operation complied with statutory guidelines on closed meetings. Section 610.021, RSMo 2000, allows the Board to close meetings to the extent the meetings relate to certain enumerated subjects, including real estate purchases, litigation, and personnel matters. In February 2001 the Board discussed and approved changing the hours of operation of the Health Department during a closed meeting.

Board sessions should only be closed if discussions or business conducted include topics pursuant to state law.

**WE RECOMMEND** the Board of Trustees ensure only topics pursuant to state law are discussed in closed session meetings.

### **AUDITEE'S RESPONSE**

*The Barry County Health Department Board of Trustees indicated Board sessions will be closed for topics pursuant to state law.*

|                              |
|------------------------------|
| <b>5. Written Agreements</b> |
|------------------------------|

The Health Department does not have written contracts for rental agreements. A not-for-profit organization uses space in the Health Department's satellite facility in Monett free of charge. In addition, the Health Department rents office space in Cassville for the environmental department. Neither of these agreements are in writing.

Section 432.070, RSMo 2000, requires all contracts to be in writing. Written contracts are necessary to outline the terms and arrangements, specify services to be provided and the related funding, and help ensure the reasonableness and propriety of expenditures.

**WE RECOMMEND** the Board of Trustees formalize and obtain a written agreement for these rental arrangements.

### **AUDITEE'S RESPONSE**

*The Barry County Health Department Board of Trustees indicated written contracts and agreements will be secured by the end of January 2003.*

|                                |
|--------------------------------|
| <b>6. General Fixed Assets</b> |
|--------------------------------|

The Health Department has not established formal policies and procedures for general fixed assets, including procedures to update property records, and number, tag or otherwise identify property items. Also, annual physical inventories of property have not been performed. While a list of some assets is maintained, the listing is not complete and does not include an adequate description of each property item.

In addition, with the recent remodeling of the Health Department facilities numerous Health Department assets were disposed of; however there are no written procedures regarding disposition of assets and no documentation was maintained to ensure these assets were disposed of properly. Upon inquiry, we learned from several employees that some of the assets (desks, refrigerator, old building materials) could have been salvaged and sold to generate revenues; however, the Administrator indicated that the assets were not salvageable and were placed in the dumpster. Because the disposal of these assets was not approved by the board and the disposition not adequately documented, we could not determine if the assets were disposed of properly.

Adequate general fixed assets records are necessary to secure better internal controls over property and provide a basis for determining proper insurance coverage. Inventories and

proper tagging of property are necessary to ensure fixed asset records are accurate, identify any unrecorded additions and dispositions, detect theft of assets, and identify obsolete assets. Further, the Health Department needs to establish formal procedures to ensure the disposition of assets is properly handled, approved, and recorded in the fixed asset records. These procedures should ensure the method of disposal (e.g. bids, public sale, etc) allows for participation by the public and provides the best price for the Health Department.

**WE RECOMMEND** the Health Department Board of Trustees maintain property records for general fixed assets that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition, if applicable. Actual physical inventory of the various property items should be performed periodically. In addition, formal procedures should be established related to the handling and approval of fixed asset dispositions.

### **AUDITEE'S RESPONSE**

*The Barry County Health Department Board of Trustees indicated formal policies and procedures for assets will be put in place.*

This report is intended for the information of the management of the Barry County Health Department and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



HISTORY, ORGANIZATION AND  
STATISTICAL INFORMATION

BARRY COUNTY HEALTH DEPARTMENT  
HISTORY, ORGANIZATION,  
AND STATISTICAL INFORMATION

The Barry County Health Department was created under the authority of Chapter 205, RSMo, 2000, in 1978 to provide a wide range of health and medical services to the residents of Barry County. Services provided include public health, health education, communicable disease surveillance and control, immunization, WIC (Women and Infant Children), sanitation services, personal care services and birth and death certificates.

The health department is governed by an elected five-member Board of Trustees. Board members are elected for four year terms. The Board of Trustees as of December 31, 2001, consisted of the following members:

| <u>Name</u>     | <u>Position</u> | <u>Term Expires</u> |
|-----------------|-----------------|---------------------|
| Jim Sharman     | Chairman        | April, 2005         |
| (1) Keith Speer | Vice Chairman   | April, 2005         |
| Joyce Vaughan   | Secretary       | April, 2003         |
| Louise Good     | Treasurer       | April, 2003         |
| Ilene Mann      | Trustee         | April, 2005         |

(1) Replaced Paul Strahl by appointment in June 2001, then elected in April 2002 to fill unexpired term.

At December 31, 2001 the Health Department had 14 full time employees.

Paul Strahl was hired on September 4, 2001 as Administrator, replacing Tom Williams who was Administrator from August 1, 2000 to September 4, 2001.

ASSESSED VALUATION

|                        |                           |
|------------------------|---------------------------|
| Real Estate            | 198,660,867               |
| Personal Property      | 88,211,171                |
| Railroad and utilities | <u>18,189,328</u>         |
| Total                  | <u><u>305,061,366</u></u> |

TAX RATE PER \$100 OF ASSESSED VALUATION

|                   |        |
|-------------------|--------|
| Health Department | \$0.07 |
|-------------------|--------|

A summary of the Health Department's receipts and disbursements for the years ended December 31, 2001 and 2000 is presented below:

BARRY COUNTY HEALTH DEPARTMENT  
COMPARATIVE STATEMENT OF RECEIPTS AND DISBURSEMENTS - BUDGET AND ACTUAL

|                       | Year Ended December 31, |         |                                       |         |         |                                       |
|-----------------------|-------------------------|---------|---------------------------------------|---------|---------|---------------------------------------|
|                       | 2001                    |         |                                       | 2000    |         |                                       |
|                       | Budget                  | Actual  | Variance<br>Favorable<br>Unfavorable) | Budget  | Actual  | Variance<br>Favorable<br>Unfavorable) |
| RECEIPTS              |                         |         |                                       |         |         |                                       |
| Property taxes        | 195,840                 | 206,953 | 11,113                                | 192,000 | 193,052 | 1,052                                 |
| Intergovernmental     | 297,775                 | 296,463 | (1,312)                               | 326,403 | 295,873 | (30,530)                              |
| Charges for services  | 51,000                  | 55,406  | 4,406                                 | 55,800  | 58,071  | 2,271                                 |
| Interest              | 6,000                   | 13,651  | 7,651                                 | 10,000  | 13,015  | 3,015                                 |
| Other                 | 218,500                 | 45,530  | (172,970)                             | 39,710  | 46,652  | 6,942                                 |
| Total Receipts        | 769,115                 | 618,003 | (151,112)                             | 623,913 | 606,663 | (17,250)                              |
| DISBURSEMENTS         |                         |         |                                       |         |         |                                       |
| Salaries              | 500,275                 | 527,175 | (26,900)                              | 509,003 | 479,376 | 29,627                                |
| Office expenditures   | 95,490                  | 112,749 | (17,259)                              | 114,775 | 105,489 | 9,286                                 |
| Equipment             | 6,600                   | 5,998   | 602                                   | 7,400   | 12,530  | (5,130)                               |
| Mileage and training  | 16,750                  | 17,682  | (932)                                 | 19,700  | 16,342  | 3,358                                 |
| Buidlings and grounds | 500,000                 | 190,882 | 309,118                               | 0       | 267     | (267)                                 |
| Total Disbursements   | 1,119,115               | 854,486 | 264,629                               | 650,878 | 614,004 | 36,874                                |